LONDON

REPORT

87-00066/

THE CORPORATION OF THE CITY OF LONDON

FINANCIAL REPORT

for the year ended December 31, 1985

C O N T E N T S

	Page
The Municipal Council	2
The City Administration	3
London - Stability and Strength	4
Sites of London	5
Letter of Submittal	6
Economic and Financial Highlights	7
Auditors' Report	15
Consolidated Statement of Operations	16
Consolidated Balance Sheet	18
Notes to the Financial Statements	19
Auditors' Report - Trust Funds	27
Trust Funds - Statement of Continuity and Balance Sheet	28
Accountants' Report	29
Consolidated Schedule of Current Operations	30
Consolidated Schedule of Capital Operations	31
Consolidated Schedule of Reserves and Reserve Funds	32

THE CORPORATION OF THE CITY OF LONDON
300 DUFFERIN AVENUE
P.O. Box 5035
London, Ontario, Canada
N6A 4L9

THE MUNICIPAL COUNCIL

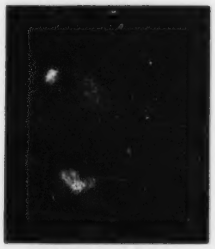
LONDON CITY COUNCIL

Dec. 1, 1985 - Dec. 1, 1988

MAYOR
Tom Gosnell

CONTROLLER (a)(b)
Jack Burghardt

CONTROLLER (b)
Orlando Zamprogna



CONTROLLER (c)
Art Cartier

CONTROLLER (d)
Joseph Fontana

WARD 1 ALDERMAN (d)
John Irvine

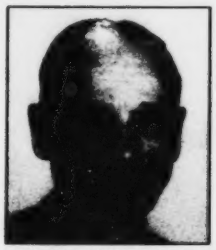
WARD 1 ALDERMAN (c)
Joe Avola

WARD 2 ALDERMAN (c)
Bob Beccarea

WARD 2 ALDERMAN (b*)
Frank Flitton

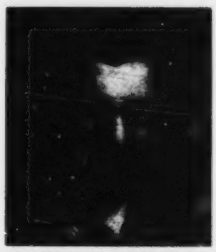
WARD 3 ALDERMAN
Pat O'Brien (c*)

WARD 3 ALDERMAN (d)
Bernie MacDonald



WARD 4 ALDERMAN (b)
Alf James

WARD 4 ALDERMAN (b)
Dawn Erskine



WARD 5 ALDERMAN (d)
Grant Hopcroft

WARD 5 ALDERMAN
Gary Williams (b)

WARD 6 ALDERMAN
Janet McEwen (d*)

WARD 6 ALDERMAN
Paul Yorke (c)

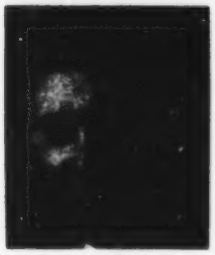
WARD 7 ALDERMAN
Gordon Jorgenson (d)

WARD 7 ALDERMAN
Ted Wernham (c)

(a) Deputy Mayor, (b) Member of Environment & Transportation Committee, (c) Member of Community & Protective Services Committee, (d) Member of Planning Committee, * Indicates Chairman of Committee

THE CITY ADMINISTRATION

CITY OF LONDON SENIOR MANAGEMENT TEAM



M. C. ENGELS
City Administrator

P. C. McNORGAN
City Clerk

S. F. READINGS
City Treasurer

D. B. DUTTON
City Engineer

R. A. BLACKWELL
City Solicitor

K. L. PERRY
Director of Planning and Development

H. G. HOWLETT
Director of Social Administration

LONDON - STABILITY AND STRENGTH

Stability is the hallmark of London's robust economic environment. The roller coaster troughs and peaks of the North American economy have a limited impact on the city. Why is that? Because the fully diversified industrial and commercial base in London tends to smooth out the more extreme effects of the economic cycles. Furthermore, the kinds of major industries that have located in the city are less susceptible to recessions. The local economy is aided by the abundance of favourably serviced industrial sites, commercial space, and a balanced labour scene. The evidence of London's balanced economy is most apparent in the city's unemployment rate. Generally, it trends from two to five percent below the national average.

The immediate availability of qualified specialists in fields like taxation, law, advertising, marketing, engineering, medical research, and other disciplines can save local companies vast amounts of time and expense. The professionalism of the city is one of hidden benefits that accrue to London firms.

The combination of relatively low unemployment, a thriving economy and high levels of education has made for a distinctive atmosphere and highly civilized family lifestyle that has become London's reputation.

The buying power of Londoners is made clear in the retail sector. The market, according to the Financial Post Canadian Markets, is 14 percent above the national average, while Londoners have more than 5 percent more disposable income than the average Canadian on a per capita basis. The result is one of the highest per capita allotments of retail shopping space in North America, a vital city core, and some 20 suburban retail shopping complexes, among which are the largest between Toronto and Winnipeg.

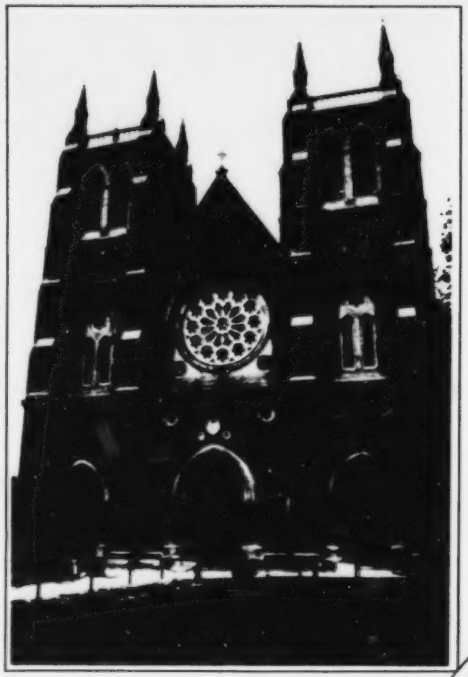
Moody's Investors Services have awarded London the outstanding Triple A credit rating. The health of city finances may also be measured by the low per capita tax-supported municipal debt - half that of Ottawa and Toronto and lower than comparable industrialized centres. London fire protection ranks among the best in North America. The per capita police cost is one of the lowest in Canada - while maintaining a relatively crime-free environment in London...a credit to its efficiency.

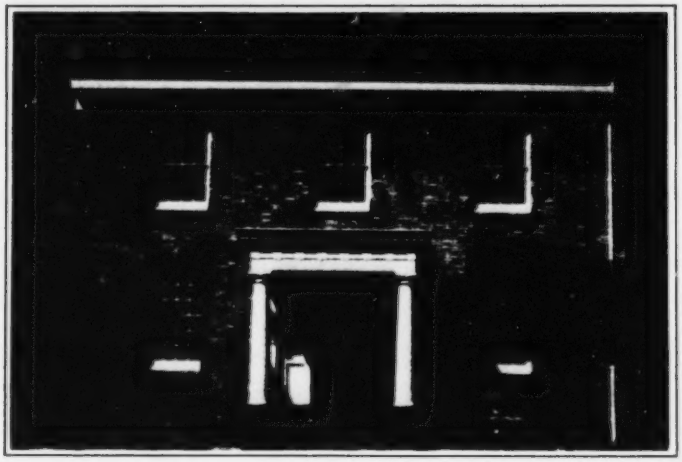
The economic forecast is sunny. The view of the future has generated excitement in London. The city appears to be in line for continued economic, cultural, and technological expansion. Perhaps the most encouraging area is in medical research and health-related industry. The city already possesses some of the world's most advanced medical facilities and leading researchers and doctors. With the expansion of Victoria Hospital, the projected developments are University Hospital, and the opening of the John P. Robarts Research Institute, London is firmly entrenched in the forefront of medicine and related fields.

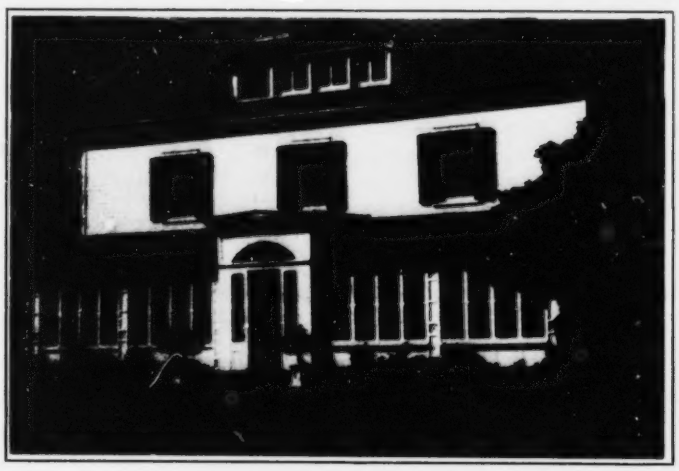
The optimistic forecast for the city has received a boost from a recent Woods Gordon report on the London Economic Growth Strategy. "The economic base will continue to be varied with an added strength of a technologically advanced manufacturing base that is stronger in comparison to other major Ontario communities," the report outlined. The report's analysis indicates that London will "become one of the pre-eminent research and science communities in a broad spectrum of topics, with specific developments in health, education and agriculture.

An article entitled "The Other London" - courtesy of the Economic Development Division

SITES OF LONDON







LETTER OF SUBMITTAL

April 29, 1986

His Worship, Mayor T. C. Gosnell
and Members of Council of
The Corporation of the City of London

Your Worship, Ladies and Gentlemen:

It is my privilege to present to you the Financial Report of the Corporation of the City of London and its related Boards and Commissions consolidated according to Provincial guidelines for the year ended December 31, 1985.

The Report includes a Consolidated Balance Sheet and a Consolidated Statement of Operations for the Corporation as well as other supporting schedules. These statements and schedules represent prudent financial policies on the part of City Council and the administration. In addition, these financial statements are a report on the stewardship of the City's operations in its provision of services to the citizens of London. The statements are prepared in accordance with the requirements of the Ministry of Municipal Affairs who will receive somewhat more detailed statements. The auditor's report from Touche Ross and Co. attests that these statements present fairly the results of operation and financial position of the City.

All supporting schedules and audited statements for each of the Boards and Commissions as submitted to the Ministry of Municipal Affairs are available upon request from the Finance Department.

In an effort to provide additional information relevant to the City's financial position, we have also included several pages of financial and statistical data which may be of assistance to readers of this report.

In addition, excerpts from THE OTHER LONDON are included in the section entitled "London - Stability and Strength" (courtesy of the Economic Development Division).

In closing, I wish to take this opportunity to extend my appreciation to the Heads of Departments and their staffs, and the management and staff of the Finance Department for their co-operation and efforts throughout the statement preparation process and the subsequent audit.

S. F. Readings
City Treasurer

ECONOMIC & FINANCIAL HIGHLIGHTS

	1985	1984	1983	1982	1981
POPULATION	276,000	270,732	268,051	266,319	264,546
AREA IN ACRES	43,900	43,900	43,674	43,674	43,674
NO. OF HOUSEHOLDS	110,359	108,181	108,049	106,537	105,523
BUILDING PERMIT VALUES	$200,466,497	$132,442,890	$131,944,056	$158,799,763	$134,331,080

Source: City of London Records

	1985	1984	1983	1982	1981
UNEMPLOYMENT RATES					
London	8.8%	7.8%	9.6%	11.8%	7.0%
Ontario	8.0%	9.1%	10.4%	11.7%	6.6%
Canada	10.5%	11.3%	11.9%	12.4%	7.6%

Source: Statistics Canada

	1985	1984	1983	1982	1981
AVERAGE SELLING PRICE OF HOMES					
London	$67,246	$59,935	$58,731	$53,959	$57,989
Ontario	$86,106	$78,524	$76,610	$70,483	$61,319
Canada	$81,155	$76,300	$77,649	$72,652	$70,390

Source: Canadian Real Estate Board

	1985	1984	1983	1982	1981
PROPERTY TAXES					
Municipal	$604.32	$580.32	$552.36	$520.74	$482.94
Education	$581.10	$543.48	$499.62	$436.92	$397.56
Total	$1,185.42	$1,123.80	$1,051.98	$957.66	$880.50
Indexed	134.63%	127.63%	119.48%	108.76%	100.00%

NOTE: The taxes are based on an average residential assessment of $6,000

	1985	1984
TAXABLE ASSESSMENT		
Residential and Farm	$510,644	$503,832
Commercial and Industrial	168,926	166,038
Business	75,220	74,339
TOTAL TAXABLE ASSESSMENT	$755,533	$744,209
EXEMPT ASSESSMENT	$169,722	$174,365
MILL RATES		
Residential and Farm		
for General Municipal Purposes	100.72	96.72
for School Board Purposes	96.85	90.58
Total Residential and Farm	197.57	187.30
Commercial and Industrial	232.43	220.35
TAX ARREARS Percentage of Current Levy	3%	4.6%
REVENUE		
General Municipal	$201,065	$185,040
School Boards	82,214	75,405
TOTAL REVENUE	$283,279	$260,445
EXPENDITURE		
General Municipal	$201,065	$185,040
School Boards	82,214	75,405
TOTAL EXPENDITURE	$283,279	$260,445
NET LONG TERM LIABILITIES		
General Municipal	$ 55,885	$ 50,628
Municipal Enterprises	1,959	2,350
CHARGES FOR NET LONG TERM LIABILITIES		
General Municipal Activities	$ 12,234	$ 13,247
CAPITAL FINANCING DURING THE YEAR		
Contribution from own funds	$ 6,615	$ 4,650
Long Term Liabilities incurred	12,632	6,058
Ontario Grants	5,624	6,731
Other	1,793	1,513
TOTAL CAPITAL FINANCING	$ 26,664	$ 18,952
CAPITAL EXPENDITURE DURING THE YEAR	$ 23,733	$ 20,613
ACCUMULATED NET REVENUE AT THE END OF THE YEAR	$ 3,418	$ 1,809
RESERVES AND RESERVE FUNDS	$ 25,220	$ 24,315

Note: All dollar amounts are in thousands of dollars

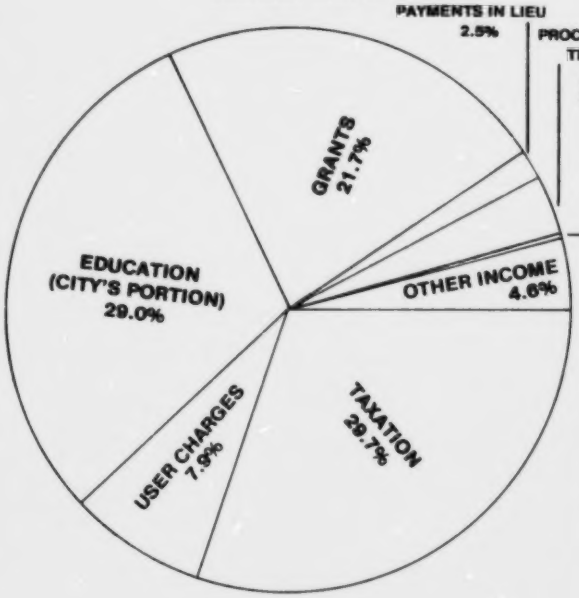
ANCIAL HIGHLIGHTS

1983	1982	1981
$492,884	484,782	473,959
164,826	165,651	159,731
74,297	74,785	71,508
$732,007	$725,218	705,198
$174,762	$174,339	176,464
92.06	86.79	80.49
83.27	72.82	66.26
175.33	159.61	146.75
206.26	187.78	172.65
5.5%	5.6%	5.2%
$165,176	$155,477	$142,046
68,335	59,122	53,008
$233,511	$214,599	195,054
$165,176	$155,477	142,046
68,335	59,122	53,008
$233,511	$214,599	$195,054
$ 51,989	$ 50,521	$ 51,355
2,791	7,189	6,367
$ 12,264	$ 11,715	11,918
$ 5,765	$ 6,462	4,385
8,100	6,890	248
4,257	4,313	3,304
772	1,045	671
$ 18,894	$ 18,710	$ 8,608
$ 17,682	$ 16,310	17,428
$ 504	$ 571	3,052
$ 20,183	$ 20,022	17,596

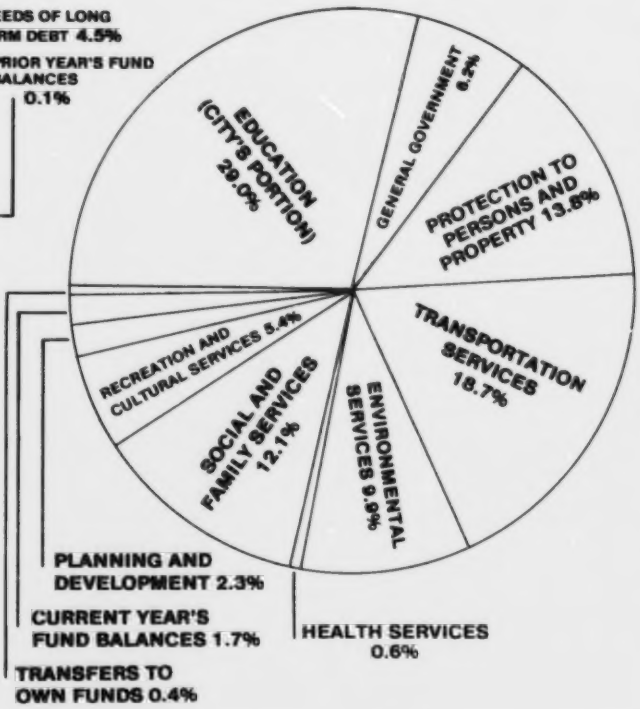
NOTE: All dollar amounts are in thousands of dollars

ECONOMIC & FINANCIAL HIGHLIGHTS

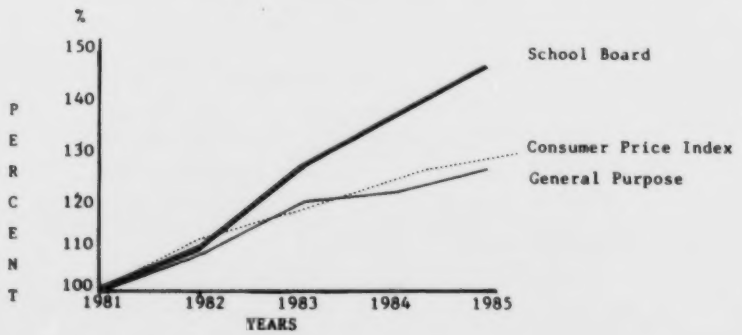
1985 SOURCES OF REVENUE
$283,278,688



1985 APPLICATIONS OF REVENUE
$283,278,688


EDUCATION (CITY'S PORTION) 29.0%
GENERAL GOVERNMENT 6.2%
PROTECTION TO PERSONS AND PROPERTY 13.8%
TRANSPORTATION SERVICES 18.7%
ENVIRONMENTAL SERVICES 9.9%
SOCIAL AND FAMILY SERVICES 12.1%
RECREATION AND CULTURAL SERVICES 5.4%
PLANNING AND DEVELOPMENT 2.3%
CURRENT YEAR'S FUND BALANCES 1.7%
TRANSFERS TO OWN FUNDS 0.4%
HEALTH SERVICES 0.6%

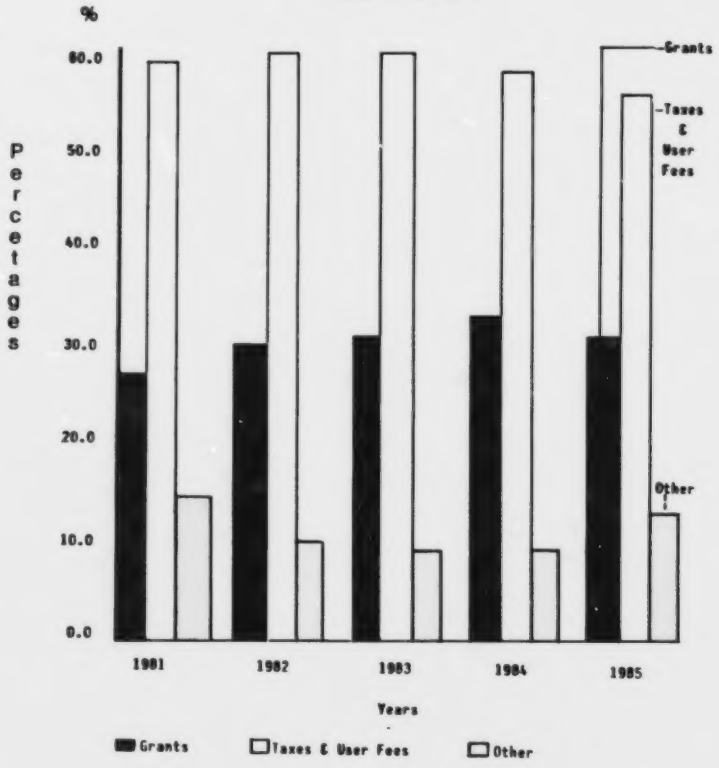
COMPARISON OF RESIDENTIAL MILL RATES WITH CONSUMER PRICE INDEX



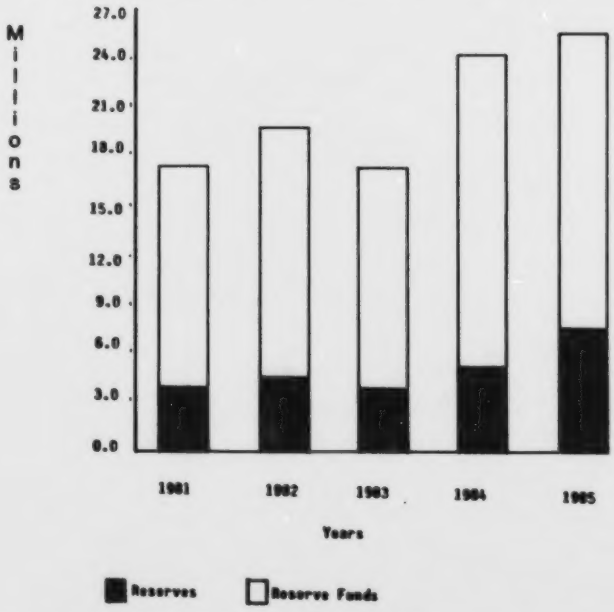
Year	Residential Mill Rates For General Municipal Purposes	Residential Mill Rates For School Board Purposes	Residential Mill Rate Expressed In Percentages General	Residential Mill Rate Expressed In Percentages School Board	Consumer Price Index
1981	80.49	66.26	100.0	100.0	100.0
1982	86.79	72.82	107.8	109.9	110.8
1983	92.06	83.27	114.4	125.7	117.2
1984	96.72	90.58	120.2	136.7	122.3
1985	100.72	96.85	125.1	146.2	127.2

ECONOMIC & FINANCIAL HIGHLIGHTS

Relative Value of Revenue Sources For Own Purposes 1981-1985



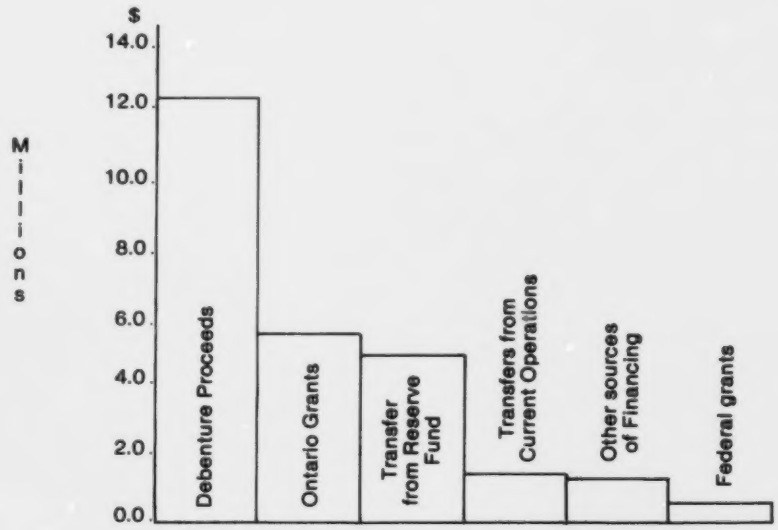
Trends In Reserve & Reserve Funds Balances 1981-1985



ECONOMIC & FINANCIAL HIGHLIGHTS

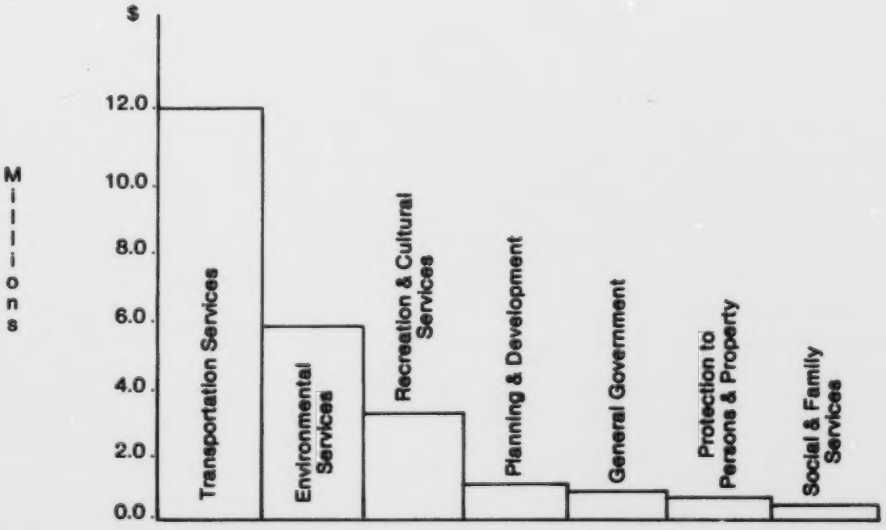
Capital Financing - 1985

$26,663,933



Capital Expenditures - 1985

$23,732,544



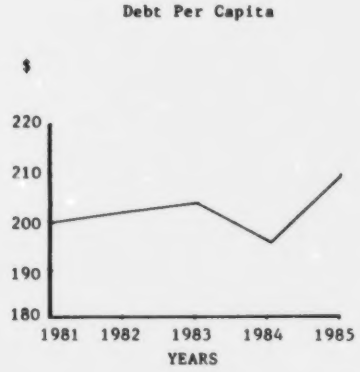
ECONOMIC & FINANCIAL HIGHLIGHTS

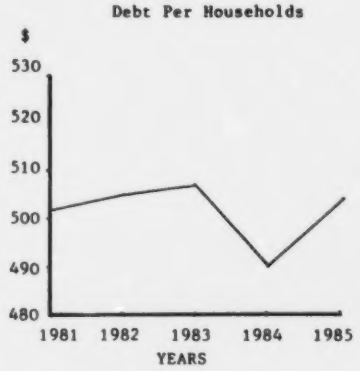
Analysis of Net Long Term Liabilities as at December 31, 1985

General Municipal Activities	
General Administration	$ 1,033,250
Protection to Persons & Property	
Fire	248,942
Police	2,306,506
Erosion Control	324,000
Transportation Services	
Roadways	24,018,859
Parking	80,000
Street Lighting	310,677
Environmental Services	
Sanitary Sewer Systems	7,171,407
Storm Sewer Systems	5,556,199
Pollution Control	11,643,658
Garbage Disposal	645,928
Social & Family	
Assistance to Aged Persons - D.H.	253,200
Recreation & Community Services	
Park & Recreation	306,304
Library	220,800
Other Cultural Facilities	56,000
Planning & Development	
Commercial & Industrial	1,958,672
Residential Development	911,427
Urban Renewal	797,964
Total General Municipal Activities	$57,843,793
Municipal Enterprises	
Electrical	718,656
Waterworks	3,263,070
Parking	292,045
Golf Courses	166,000
Total Municipal Enterprises	$ 4,439,771
Education	
Public Schools	452,095
Secondary Schools	579,940
Administration	2,250,000
Total Education	$ 3,282,035
Grand Total	$65,565,599

ECONOMIC & FINANCIAL HIGHLIGHTS

Analysis of Net Long Term Liabilities as at December 31, 1985



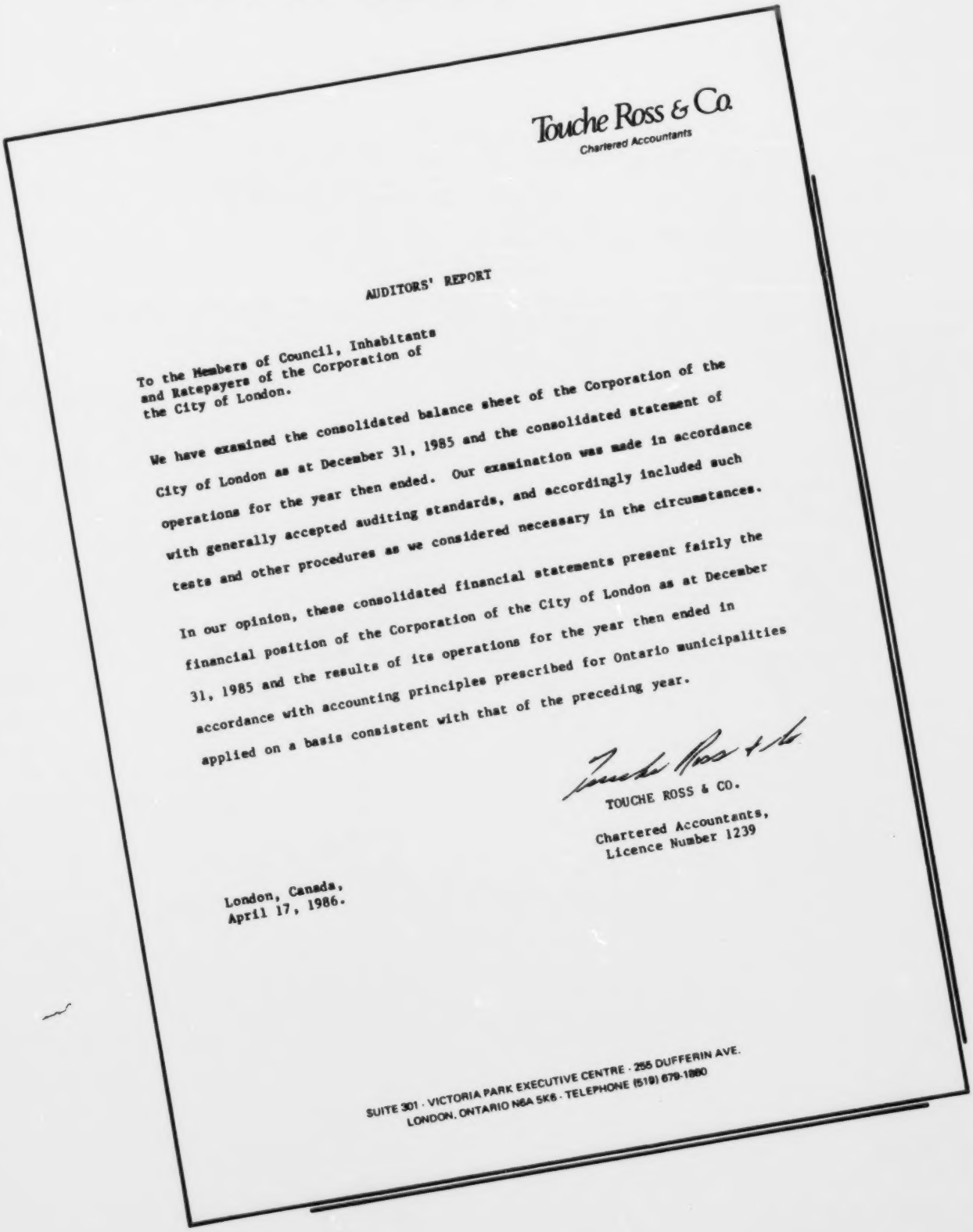


Year	Tax Supporting Net Long Term Debt (General Municipal Activities) (000's) $	Households	Population	Debt Per Capita $	Per Household $
1981	52,983	105,523	264,546	200	502
1982	53,782	106,537	266,319	202	505
1983	54,781	108,049	268,051	204	507
1984	52,977	108,181	270,732	196	490
1985	57,844	110,359	276,000	210	524

Five Year Projection of Charges for Existing Net Long Term Liabilities as at December 31, 1985

	1986 $	1987 $	1988 $	1989 $	1990 $
General municipal acitivies					
Principal	8,390,855	7,499,806	6,525,597	6,166,869	5,560,899
Interest	5,544,221	4,718,534	4,009,805	3,363,572	2,751,533
Municipal enterprises					
Principal	1,095,374	1,057,188	859,562	863,759	776,608
Interest	707,380	594,714	486,983	385,987	288,102
Total					
Principal	9,486,229	8,556,994	7,385,159	7,030,628	6,337,507
Interest	6,251,601	5,313,248	4,496,788	3,749,559	3,039,635
Outstanding Long Term Liabilities @ Year Ending	52,797,335	44,240,341	36,855,182	29,824,554	23,487,047

AUDITORS' REPORT



Touche Ross & Co.
Chartered Accountants

AUDITORS' REPORT

To the Members of Council, Inhabitants
and Ratepayers of the Corporation of
the City of London.

We have examined the consolidated balance sheet of the Corporation of the City of London as at December 31, 1985 and the consolidated statement of operations for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation of the City of London as at December 31, 1985 and the results of its operations for the year then ended in accordance with accounting principles prescribed for Ontario municipalities applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.

Chartered Accountants,
Licence Number 1239

London, Canada,
April 17, 1986.

SUITE 301 · VICTORIA PARK EXECUTIVE CENTRE · 255 DUFFERIN AVE.
LONDON, ONTARIO N6A 5K6 · TELEPHONE (519) 679-1880

CONSOLIDATED STATEMENT OF OPERATIONS For the year ended December 31, 1985

SOURCES OF FINANCING:	1985 $	1984 $
Taxation and user charges (note 1)		
Residential and farm taxation	102,347,048	95,549,640
Commercial, industrial and business taxation	64,060,961	59,165,074
Taxation from other governments	7,069,103	6,831,645
User charges	22,301,921	20,433,713
Deduct: Amounts received or receivable for region or county, and school boards	(82,213,772)	(75,405,003)
Grants		
Government of Canada	685,694	1,643,135
Province of Ontario	60,876,809	59,256,297
Other municipalities	47,488	56,350
Other		
Contributions from developers	4,977,444	3,701,439
Investment income	3,286,283	3,229,052
Sale of land	499,495	793,702
Miscellaneous	4,283,403	3,028,040
Proceeds from the issue of long term liabilities	12,500,000	6,057,595
MUNICIPAL FUND BALANCES AT THE BEGINNING OF THE YEAR (note 8)		
To be used to offset (or to be recovered from) taxation or user charges	1,808,828	503,480
Unexpended capital financing (or capital operations not yet financed)	(1,465,789)	195,475
Total financing available during the year	201,064,916	185,039,634

APPLIED TO:	1985 $	1984 $
Current operations		
General government	16,594,402	15,292,550
Protection to persons and property	38,340,076	36,906,230
Transportation services	37,819,161	35,261,245
Environmental services	21,576,819	21,335,041
Health services	1,526,829	1,466,610
Social and family services	33,858,010	31,740,842
Recreation and cultural services	12,227,258	11,742,991
Planning and development	5,450,003	3,573,886
	167,392,558	157,319,395
Capital		
General government	915,840	245,710
Protection to persons and property	768,925	551,404
Transportation services	15,133,431	15,094,381
Environmental services	6,305,924	4,067,163
Social and family services	321,551	181,294
Recreation and cultural services	3,050,948	1,741,058
Planning and development	1,087,692	1,363,492
	27,584,311	23,244,502
Net appropriations to reserves and reserve funds	1,204,703	4,132,698
MUNICIPAL FUND BALANCES AT THE END OF THE YEAR (note 8)		
To be used to offset (or to be recovered from) taxation or user charges	3,417,744	1,808,828
Unexpended capital financing (or capital operations not yet financed)	1,465,600	(1,465,789)
Total applications during the year	201,064,916	185,039,634

The accompanying notes are an integral part of this financial statement.

CONSOLIDATED BALANCE SHEET as at December 31, 1985

	1985 $	1984 $
ASSETS		
Unrestricted		
Cash	8,739,285	7,926,924
Taxes receivable	4,890,119	6,623,225
Accounts receivable	9,870,255	10,367,544
Other current assets	1,624,944	1,514,426
Long term receivables	543,859	766,626
Investment in own debentures	1,661	1,680
	25,670,123	27,200,425
Restricted		
Cash	13,847,398	15,177,425
Accounts receivable	95,939	157,496
Long term receivables	2,150,000	891,739
Investment in own debentures	1,909,960	2,388,703
	18,003,297	18,615,363
Capital outlay financed by long term liabilities and to be recovered in future years (note 1)	57,843,793	52,977,553
	101,517,213	98,793,341
LIABILITIES		
Temporary loans	0	7,000,000
Accounts payable and accrued liabilities	12,762,144	12,807,829
Other current liabilities	507,867	1,349,558
	13,270,011	21,157,387
Net long term liabilities (note 7)	57,843,793	52,977,553
FUND BALANCES AT THE END OF THE YEAR (note 8)		
To be used to offset (or to be recovered from) taxation or user charges (note 8)	3,417,744	1,808,828
Unexpended capital financing (or capital operations not yet permanently financed) (note 8)	1,465,600	(1,465,789)
Reserves (note 9)	7,516,768	5,699,999
Reserve funds (note 9)	18,003,297	18,615,363
	101,517,213	98,793,341

The accompanying notes are an integral part of this financial statement.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

a) Basis of Consolidation

i) Consolidated Balance Sheet

This statement reflects the assets and liabilities of the revenue fund, reserve funds, the capital fund and includes the activities of all committees of Council and the following local boards, municipal enterprises and utilities:

The Board of Commissioners of Police of the City of London
London Transit Commission
London Public Library Board
East London Improvement Area
London Downtown Improvement Area

In late 1984, private legislation was passed by the Ontario legislature with respect to the London Regional Art Gallery. The effect of this legislation is a change in the political accountability of the entity as a result, it is no longer appropriate to consolidate this board. To reflect this change, certain figures for the comparative year, 1984, have been adjusted in these statements and supporting schedules.

All interfund assets and liabilities are eliminated with the exception of loans or advances between the reserve funds and other funds of the Municipality.

ii) Consolidated Statement of Operations

This statement reflects the consolidated sources of financing and expenditures of the revenue fund, reserves, reserve funds, and the capital fund of the Municipality and those local boards, municipal enterprises and utilities described in note 1 (a)(i).

All interfund sources of financing and expenditures are eliminated with the exception of interest income and expenditures arising from loans and advances between the reserve funds and other funds of the Municipality.

iii) Non-consolidated Entities

For those local boards, municipal enterprises, and utilities of the Municipality which are not consolidated, the "Consolidated Balance Sheet" does not reflect their assets or liabilities except to the extent of amounts due to or from those entities. The "Consolidated Statement of Operations" does not reflect their revenues and expenditures except to the extent of the Municipality's contribution to those entities.

NOTES TO THE FINANCIAL STATEMENTS

Those entities which are not consolidated are as follows:

London Public Utilities Commission - Electrical Department
London Public Utilities Commission - Waterworks Department
London Public Utilities Commission - Parks Department
London Public Utilities Commission - Recreation Department
London Public Utilities Commission - P.U.C. Sports and Recreation Incorporated
London Public Utilities Commission - Storybook Gardens
Middlesex-London District Health Unit
London Regional Art Gallery

iv) The assets and liabilities with respect to the operations of the school boards are not reflected in these financial statements except to the extent that overlevies (underlevies) are reported on the "Consolidated Balance Sheet" as "other liabilities" ("other current assets").

v) Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately on the "Trust Funds Statement of Continuity and Balance Sheet".

vi) Effective January 1st, 1985, amendments to regulations require that the Ontario Home Renewal Program funds be accounted for as a trust fund and no longer as a reserve fund. This transfer of the fund balance has reduced the total opening reserve fund balances by $1,719,661 and is not reflected in the Consolidated Statement of Operations. The 1985 transactions for this Program are reflected in the financial statements for the trust funds of the municipality.

vii) Certain 1984 comparative figures have been restated to conform with the 1985 financial statement presentation.

b) Basis of Accounting

i) Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal and interest charges on long term liabilities which are charged against operations in the periods in which they are paid. Principal and interest charges are not accrued for the periods from the dates of the latest installment payments to the end of the financial year.

ii) The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

NOTES TO THE FINANCIAL STATEMENTS

iii) Fixed Assets -
The historical cost and accumulated depreciation for fixed assets are not recorded for municipal purposes. Fixed assets are reported as an expenditure on the Consolidated Statement of Operations in the year of acquisition. For those fixed assets financed or to be financed by the issue of long term indebtedness, the principal and interest on the long term indebtedness are also reported on the Consolidated Statement of Operations as they are paid.

iv) Capital Outlay to be Recovered in Future Years -
"Capital outlay to be recovered in future years", which represents the outstanding principal portion of unmatured long term liabilities for municipal expenditures or capital funds transferred to other organizations, is reported on the "Consolidated Balance Sheet".

2. Operations of School Boards

Further to note 1 (a) (iv), the taxation, other revenues, expenditures and overlevies (underlevies) of the school boards are comprised of the following:

	1985	1984
Taxation and User Charges	$82,213,772	$75,405,004
Less: Requisitions	82,214,480	75,403,020
Overlevies (underlevies) for the year	(708)	1,984
Less: Overlevies (underlevies) at the beginning of the year	1,984	-
Overlevies (underlevies) at the end of the year	$ (2,692)	$ 1,984

The overlevies (underlevies) at the end of the year are reported as other liabilities (other current assets) on the "Consolidated Balance Sheet".

3. Contributions to Unconsolidated Joint Boards

Further to note 1 (a) (iii), the assets and liabilities of unconsolidated joint boards have not been consolidated and are not reported on the "Consolidated Balance Sheet".

The operations of these joint boards have also not been consolidated. The "Consolidated Statement of Operations" includes only the following contributions made by the municipality to those boards:

	1985	1984
Middlesex-London District Health Unit	$1,526,829	$1,466,610

NOTES TO THE FINANCIAL STATEMENTS

4. Trust Funds

Trust funds administered by the Municipality amounting to $4,195,082 (1984 - $2,697,957) have not been included in the "Consolidated Balance Sheet" nor have their operations been included in the "Consolidated Statement of Operations".

5. Past Service Pension Liability

a) The City of London does not fund its liability with respect to past service pensions payable under Section 100 of The Municipal Act. The past service portion of annual payments to retired employees is financed out of the revenue of the year in which payments are made. The amount paid during the year ended December 31, 1985 was $254,903 (1984 - $265,601).

b) The City of London has a liability as at December 31, 1985 to the Ontario Municipal Employees Retirement System for supplementary benefits in the amount of $8,067,467 (1984 - $8,857,269).

This liability consists of plans covering the following repayment periods: $7,876,296 (1984 - $8,693,633) will be retired by annual payments over the next seven years; $191,171 (1984 - $163,636) will be retired by annual payments over the next twelve years. These amounts are reviewed on a periodic basis in accordance with statutory requirements.

This liability is not included in revenue fund liabilities as at December 31, 1985.

6. Liability for Vested Sick Leave Benefits

Under the sick leave benefit plan, unused sick leave accumulates and certain employees having a specific number of years of service become entitled to a cash payment to a maximum of one half year's salary on termination of service. The liability for these accumulated days, to the extent that they could be taken in cash by an employee on termination, amount to approximately $14,250,000 at December 31, 1985 (1984 - $13,456,000).

An amount of $1,356,970 (1984 - $1,205,732) has been provided for this liability and is reported on the "Consolidated Balance Sheet".

7. Net Long Term Liabilities	1985	1984
a) The balance of net long term liabilities reported on the "Consolidated Balance Sheet" is made up of the following:		
Total long term liabilities incurred by		

the municipality, including those incurred on behalf of school boards, unconsolidated local boards, municipal enterprises and utilities and outstanding at the end of the year amount to	$65,565,599	$64,198,569
The responsibility for payment of certain principal and interest charges has been assumed by school boards, unconsolidated local boards, municipal enterprises and utilities. At the end of the year, the outstanding principal amount of this liability is	(7,721,806)	(11,221,016)
Net long term liabilities at the end of the year	$57,843,793	$52,977,553

b) Of the net long term liabilities reported in (a) of this note, $35,674,447 in principal payments are payable from 1986 to 1990, $20,545,856 from 1991 to 1995, and $1,623,490 in 1996, and thereafter, and are summarized as follows:

	1986 to 1990	1991 to 1995	1996 and thereafter
- from general municipal revenues	$33,531,128	$19,922,483	$1,623,490
- from benefitting landowners	612,899	195,121	-
- from other sources	1,530,420	428,252	-
	$35,674,447	$20,545,856	$1,623,490

c) As a result of the Capital Aid Corporation Repeal Act, 1985, the gross amount of debentures outstanding for the City of London has been reduced as at December 31, 1985 by $1,507,024. The debentures to which this reduction applies are debentures issued on behalf of the local board of education.

d) Included in "Net long term liabilities" on the "Consolidated Balance Sheet" is an amount of $10,442,022 (1984 - $11,938,242) payable in U.S. dollars, which was converted into Canadian dollars at the rate of exchange prevailing when the liability was incurred. If the liability is converted into Canadian dollars at the exchange rate prevailing at December 31, 1985, the liability would be increased by $3,825,074 (1984 - $3,438,868).

e) The City issues debentures for the cost of acquiring and servicing industrial land, and operates, in accordance with Section 210(50) of the Municipal Act, a reserve fund through which the proceeds from the sale of

land are used for repayment of debenture debt. The selling price of the land is established at a rate which is intended to recover the total acquisition, financing and servicing costs. The repayment of this debt is a direct and general obligation of the Corporation of the City of London. As at December 31, 1985 the amount of outstanding debentures to be retired from future sales of land is $1,958,672 (1984 - $2,349,756).

f) Approval of the Ontario Municipal Board has been obtained for the long term liabilities reported on the "Consolidated Balance Sheet".

8. Municipal Equity (or Deficit) at the End of the Year

a) The balance on the "Consolidated Statement of Operations" of municipal equity (or deficit) of $4,883,344 (1984 - ($343,039) at the end of the year is comprised of the following:

	1985	1984
- for general reduction of taxation	$ 3,372,228	$ 1,796,184
- for general reduction (increase) of user charges		
- London Public Library Board	16,826	17,479
- London Downtown Improvement Area	27,893	(2,432)
- East London Improvement Area	797	(2,403)
- acquisition of fixed assets to be financed from the proceeds of long term liabilities	(1,152,360)	(2,070,207)
- acquisition of fixed assets to be recovered through reserves and reserve funds	(570,972)	(842,666)
- acquisition of fixed assets to be recovered through grants and donations	(735,670)	(870,118)
- funds available for the acquisition of fixed assets	3,924,602	2,317,202
	$ 4,883,344	$ 343,039

b) Approval of the Ontario Municipal Board or an Order in Council has been obtained for the pending issue(s) of long term liabilities. As at December 31, 1985, approval has been obtained for approximately $12,000,000.

9. Reserves and Reserve Funds

The total balances of reserves and reserve funds of $7,516,768 (1984 - $5,699,999) and $18,003,297 (1984 - $18,615,363) respectively are made up of the following:

	1985	1984
Reserves set aside for specific purposes by Council		
- for working capital	$ 3,756,766	$ 3,336,766

NOTES TO THE FINANCIAL STATEMENTS

- for contingencies	1,867,248	1,479,498
- for economic growth	941,551	-
- for the acquisition of fixed assets	261,353	211,845
- for self insurance	108,073	125,000
- for workers' compensation	312,210	300,000
- for transit fare stabilization	269,567	246,890
Total Reserves	$ 7,516,768	$ 5,699,999

Reserve funds set aside for specific purposes by Council

- for the acquisition of fixed assets		
- vehicles	$ 6,607,297	$ 6,677,166
- facilities	2,218,355	2,083,878
- for recreation programs and facilities	2,111,439	1,768,488
- for park purposes	168,201	170,698
- for self insurance	384,841	347,366
- for sick leave	1,227,436	1,075,738
- for capital grants	456,021	608,152
- for industrial oversizing	829,502	1,141,036
- for Urban Growth Capital Works	2,451,876	1,578,348
	$16,454,968	$15,450,870

Reserve funds set aside for specific purposes by legislation, regulation, or agreement

- for Ontario Home Renewal Program	-	1,719,661
- for park purposes	1,289,576	1,107,579
- for industrial land debt retirement	257,140	337,253
- for parking purposes	1,613	-
	1,548,329	3,164,493
Total Reserve Funds	$18,003,297	$18,615,363

10. Charges for Net Long Term Liabilities

Total charges for the year for net long term liabilities which are reported on the "Consolidated Statement of Operations" are as follows:

	1985	1984
Principal payments	$ 7,633,760	$ 7,860,434
Interest	5,365,363	5,386,977
	$12,999,123	$13,247,411

The charges for long term liabilities assumed by the non-consolidated entities are not reflected in these statements.

NOTES TO THE FINANCIAL STATEMENTS

11. Urban Growth Capital Works Reserve Fund

Since 1973, the City, pursuant to a by-law passed under the authority of private legislation and approved by the Ontario Municipal Board, has imposed development charges at specified rates whenever building permits are issued for the purpose of constructing boundary roads and outlet sewers, among other things, and has paid such charges into a reserve fund. Developers and subdividers constructing facilities whose costs are eligible for this reimbursement from the City are committed to having their claims paid from this reserve fund as and when sufficient amounts have accumulated to meet individual claims.

The total amount of outstanding claims against the reserve fund at the year-end are as follows:

	1985	1984
Value of claims received but not authorized for payment	$ 69,500	$ 24,588
Value of claims received and authorized for payment	606,732	-
Loan payable to City of London	-	401,540
	$676,232	$426,128

The balance in the Urban Growth Capital Works Reserve Fund as at December 31, 1985 was $2,451,876 (1984 - $1,578,348).

12. Contingent Liabilities

As at December 31, 1985, certain legal actions and other contingent liabilities are pending against the municipality. An estimate of the contingency cannot be made since the outcome of these matters is indeterminate at this time.

The Municipality is contingently liable for long term liabilities with respect to those for which the responsibility for the payment of principal and interest has been assumed by school boards, unconsolidated local boards, municipal enterprises and utilities. The total amount outstanding as at December 31, 1985 is $7,721,806 (1984 - $11,221,016) and is not recorded on the "Consolidated Balance Sheet".

13. Nonaccrual of Interest on Long Term Liabilities

No provision has been made in these financial statements for the accrual of interest on the net long term liabilities. Had this provision been made, the municipal fund balances as at December 31, 1985 would have been decreased by $993,400 (1984 - $973,495).

AUDITORS' REPORT – TRUST FUNDS

Touche Ross & Co.
Chartered Accountants

AUDITORS' REPORT

To the Members of Council, Inhabitants
and Ratepayers of the Corporation of
the City of London

We have examined the balance sheet of the trust funds of the Corporation of the City of London as at December 31, 1985 and the statement of continuity of trust funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances, except as described in the following paragraph.

The trust funds of the Corporation of the City of London derive receipts from donations and deposits for residents of the home for the aged which by their nature are not susceptible to complete audit verification. Accordingly, our verification of such receipts was limited to accounting for the amounts recorded in the records of the Corporation.

In our opinion, except for the effect of any adjustments which might have been required had receipts from donations and deposits for residents of the homes for the aged been susceptible to complete audit verification, these financial statements present fairly the financial position of the trust funds of the Corporation of the City of London as at December 31, 1985 and the continuity of trust funds for the year then ended in accordance with accounting principles prescribed for Ontario municipalities applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.

Chartered Accountants
Licence Number 1239

London, Canada,
April 17, 1986.

SUITE 301 · VICTORIA PARK EXECUTIVE CENTRE · 255 DUFFERIN AVE.
LONDON, ONTARIO N6A 5K8 · TELEPHONE (519) 679-1680

TRUST FUNDS—STATEMENT OF CONTINUITY & BALANCE SHEET
For the year ended December 31, 1985

STATEMENT OF CONTINUITY

	$ 1985	$ 1984
Balance at the beginning of the year	2,697,957	2,177,461
Revenue:		
Capital Receipts	3,513,498	3,444,432
Interest Earned	291,640	198,005
Transfer from Reserve	1,719,661	0
	5,524,799	3,642,437
Expenditures:		
Forgiveness Earned	62,935	0
Maintenance Payments - Dearness Home	3,182,204	2,848,990
Miscellaneous	782,535	272,951
	4,027,674	3,121,941
Balance at the end of the year	4,195,082	2,697,957

BALANCE SHEET

	$ 1985	$ 1984
Assets:		
Cash and Short Term Deposits	2,506,506	2,084,307
Accounts Receivable	1,170,924	164,835
Investments	517,652	448,815
	4,195,082	2,697,957
Liabilities:		
Accounts Payable		
Fund Equity	4,195,082	2,697,957
	4,195,082	2,697,957

The accompanying notes are an integral part of this financial statement.

ACCOUNTANTS' REPORT

Touche Ross & Co.
Chartered Accountants

ACCOUNTANTS' REPORT

Our examination of the consolidated financial statements of the Corporation of the City of London for the year ended December 31, 1985 was made for the purpose of forming an opinion on the basic financial statements referred to in our auditors' report to the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of London dated April 17, 1986. The Consolidated Schedules of Current Operations, Capital Operations and Reserves and Reserve Funds are provided for purposes of additional information and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the examination of the basic financial statements and accordingly we do not express an opinion on the fair presentation of the information referred to above.

Touche Ross & Co.

TOUCHE ROSS & CO.

Chartered Accountants
Licence Number 1239

London, Canada,
April 17, 1986.

SUITE 301 · VICTORIA PARK EXECUTIVE CENTRE · 255 DUFFERIN AVE.
LONDON, ONTARIO N6A 5K8 · TELEPHONE (519) 679-1880

CONSOLIDATED SCHEDULE OF CURRENT OPERATIONS

For the year ended December 31, 1985

	Budget 1985 $	Actual 1985 $	Actual 1984 $
Revenue			
Taxation and User Charges			
Residential and farm taxation	101,212,468	102,347,048	95,549,640
Commercial, industrial and business taxation	64,438,053	64,060,961	59,165,074
Taxation from other governments	7,080,046	7,069,103	6,831,645
User charges	23,165,886	22,301,921	20,433,713
Deduct:			
Amount received or receivable on behalf of school boards	(82,216,464)	(82,213,772)	(75,405,003)
Grants			
Government of Canada	0	82,907	728,150
Province of Ontario	56,198,383	55,252,978	52,525,479
Other municipalities	3,500	2,097	6,350
Other			
Investment income	1,035,100	1,545,943	1,332,561
Miscellaneous	866,650	2,837,634	2,252,722
Net municipal revenue	171,783,622	173,286,820	163,420,331
Expenditures			
General government	16,242,341	15,819,857	14,790,559
Protection to persons and property	38,654,584	38,340,076	36,906,230
Transportation services	38,596,717	37,819,161	35,261,245
Environmental services	21,679,627	21,576,819	21,335,041
Health services	1,526,829	1,526,829	1,466,610
Social and family services	35,226,843	33,858,010	31,740,842
Recreation and cultural services	12,160,650	12,227,258	11,742,991
Planning and development	2,797,956	2,965,578	3,435,356
Total Expenditures	166,885,547	164,133,588	156,678,874
Net transfer (to) from other funds			
Reserves and Reserve Funds	(4,934,397)	(6,005,824)	(3,797,482)
Capital operations	(1,472,500)	(1,538,492)	(1,638,627)
Total net transfer	(6,406,897)	(7,544,316)	(5,436,109)
Surplus (deficit) for the year	(1,508,822)	1,608,916	1,305,348
Surplus (deficit) at the beginning of the year	1,508,822	1,808,828	503,480
Surplus (deficit) at the end of the year	0	3,417,744	1,808,828

CONSOLIDATED SCHEDULE OF CAPITAL OPERATIONS

For the year ended December 31, 1985

	1985 $	1984 $
Sources of funds		
Long term liabilities incurred	12,500,000	6,057,595
Ontario grants	5,623,831	6,730,818
Federal Grants	602,787	914,985
Other	1,322,624	598,524
Net transfers from other funds		
- current operations	1,538,492	1,638,627
- reserve funds	5,076,199	3,011,444
	26,663,933	18,951,993
Expenditures		
General government	915,840	245,710
Protection to persons and property	768,925	551,404
Transportation services	12,052,017	12,989,385
Environmental services	5,535,571	3,540,914
Social and family services	321,551	181,294
Recreation and cultural services	3,050,948	1,741,058
Planning and development	1,087,692	1,363,492
	23,732,544	20,613,257
Unexpended capital financing (or capital operations not yet financed) at the beginning of the year	(1,465,789)	195,475
Unexpended capital financing (or capital operations not yet financed) at the end of the year	1,465,600	(1,465,789)

CONSOLIDATED SCHEDULE OF RESERVES & RESERVE FUNDS
For the year ended December 31, 1985

	1985 $	1984 $
Balance at the beginning of the year	24,315,362	20,182,664
Revenues		
Contributions from revenue fund	6,518,875	4,352,725
Contributions from capital fund	63,581	17,999
Contributions from developers	4,933,267	3,669,403
Investment income	1,740,340	1,896,491
Sale of industrial land	103,960	282,619
Grants	99,904	5,332
Other	508,344	764,581
	13,968,271	10,989,150
Expenditures		
Transfers to capital fund	5,139,780	3,029,443
Transfers to revenue fund	513,051	555,243
Charges for long term liabilities	764,764	0
Payments to developers	3,851,767	2,631,245
Other	2,494,206	640,521
	12,763,568	6,856,452
Balance at the end of the year	25,520,065	24,315,362
Analysed as follows:		
Reserves		
Working capital	3,756,766	3,336,766
Contingencies	1,867,248	1,479,498
Economic growth	941,551	0
Acquisition of fixed assets	261,353	211,845
Self insurance	108,073	125,000
Workers' compensation	312,210	300,000
Transit fare stabilization	269,567	246,890
	7,516,768	5,699,999
Reserve funds		
Acquisition of fixed assets		
- Vehicles	6,607,297	6,677,166
- Facilities	2,219,968	2,083,878
Recreational programs & facilities	2,111,439	1,768,488
Park purposes	1,457,777	1,278,277
Self insurance	384,841	347,366
Sick leave	1,227,436	1,075,738
Capital grants	456,021	608,152
Industrial oversizing	829,502	1,141,036
Urban growth capital works	2,451,876	1,578,348
Industrial land debt retirement	257,140	337,253
Ontario Home Renewal Program	0	1,719,661
Total Reserve Funds	18,003,297	18,615,363
Total Reserve and Reserve Funds	25,520,065	24,315,362